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BRIEFS

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IN THE

Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* PROFESSOR LEE A. HOLLAAR IN SUPPORT OF RESPONDENTS

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STATEMENT OF INTEREST OF *AMICUS CURIAE*[1]

Lee A. Hollaar is a long-time commentator on and actor in numerous aspects of the U.S. patent system. He is an emeritus professor of computer science in the School of Computing at the University of Utah, where he taught courses in computer and intellectual property law and computer systems and networking. He has been programming computers since 1964 and designing computer hardware since 1969. He received his B.S. degree in electrical engineering from the Illinois Institute of Technology in 1969 and his Ph.D. in computer science from the University of Illinois at Urbana-Champaign in 1975. Professor Hollaar was a Fellow with the Senate Committee on the Judiciary and technical advisor to its chair, Senator Orrin Hatch, and a visiting scholar with Judge Randall R. Rader at the Court of Appeals for the Federal Circuit. Professor Hollaar is the author of *Legal Protection of Digital Information*, which was first published in 2002 and is now in its second edition.

Professor Hollaar supervised the filing of the amicus curiae brief in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002), for IEEE-USA, whose theory of foreseeability was adopted by this Court. Professor Hollaar also filed an amicus curiae brief on his own behalf in *Metro-*

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[1] In accordance with Supreme Court Rule 37.6, no counsel to a party authored or edited this brief in whole or in part. No person other than Professor Hollaar and his counsel made a monetary contribution to the preparation or submission of this brief. Petitioners and Respondent have consented to the filing of this brief, and their consents have been filed with the Court.

Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005), where the theory of inducement liability described in Professor Hollaar's brief was also adopted by this Court.

As an inventor and patentee of computer-implemented technology, a Registered Patent Agent involved with the prosecution of patent applications since 1989, and an expert witness, consultant, and special master in patent litigation and post-grant review, Professor Hollaar has been in a position to see from all sides how the present examination system operates and the need for a mechanism to reassess the validity of issued patents by the U.S Patent and Trademark Office ("PTO").

SUMMARY OF THE ARGUMENT

This brief brings to the attention of the Court five issues not discussed by the parties that may be of considerable help to the Court in assessing the constitutionality of inter partes review.

First, the question on which certiorari was granted and Petitioner's related discussion are misleading in important respects, including the inaccurate suggestion that Article III courts do not provide substantial oversight in inter partes reviews.

Second, the very patent rights that Petitioner seeks to champion contain as explicit statutory limitations the administrative procedures that Petitioner decries. Petitioner has not and cannot demonstrate that Congress is incapable of establishing a system in which patents are subject to post-issuance administrative review.

Third, through the 1952 Patent Act and subsequent amendments, Congress has established a complex patent system that balances many competing interests in order to calibrate the effects of patent law on innovation. To address the inherent limitations of ex parte patent examination, Congress has established various administrative proceedings that allow the PTO to correct its mistakes, often by yoking the adversarial process for public benefit. This Court has previously expressed reluctance to alter Congress's complex design in a piecemeal fashion, and this case is another instance when that wisdom should be heeded.

Fourth, Petitioner is tellingly silent on the specific relief requested, and closer inspection reveals that much of the devil is in the details. Even if the Court were to agree that inter partes review conflicts with Article III, uncertainty remains regarding the appropriate remedy. Petitioner also fails to recognize that this Court has previously held constitutional the prospective use of administrative procedures leading to the cancellation of intellectual property rights. Petitioner has not limited its arguments to the retroactive application of inter partes review and has therefore waived any such arguments. Even if Petitioner had properly raised this issue, inter partes reviews are constitutionally indistinguishable from administrative procedures that have existed since at least 1980.

Finally, even if this Court were to rule in favor of Petitioner, the justification and limits for such a ruling must be clear so that Congress can determine whether responsive statutory reforms are necessary.

ARGUMENT

I. The question on which certiorari was granted is misleading.

Petitioner requested and obtained review for the following question:

> Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

This question, however, is misleading in three respects.

First, despite Petitioner's suggestion to the contrary, Article III courts already play a critical role in the invalidation of granted patents through inter partes review. Pet. Br. at 17. Following a determination by the PTO's Patent Trial and Appeals Board that a granted patent is invalid, a patent owner may appeal that decision to the U.S. Court of Appeals for the Federal Circuit, an Article III court. If dissatisfied with the results in that court, a patent owner may seek review in this Court. Indeed, Petitioner has relied on both of these Article III courts in this case. In fact, the PTO cannot actually invalidate a patent in an inter partes review until any appeal of that proceeding concludes. *See* 35

U.S.C. § 318(b).[2] In this case, for instance, Petitioner's patent is *still valid*.

Importantly, the oversight provided by these Article III courts is substantial, as many of the issues from an inter partes review are considered by a reviewing court de novo. For instance, a key consideration to many decisions in inter partes reviews is the construction of the terms of the patent claims. As this Court has held, "the construction of a patent, including terms of art within its claim, is exclusively within the province of the court." *Markman* v. *Westview Instruments, Inc.*, 517 U. S. 370, 372 (1996).

Consequently, claim constructions are ultimately reviewed de novo by the Federal Circuit regardless of whether the initial claim construction was done by the Patent Trial and Appeals Board or an Article III district court. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 840 (2015) (district court disputes); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1280 (Fed. Cir. 2015), *aff'd sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016) (inter partes review).[3] Likewise, obviousness, which is a key ground for invalidation in inter partes review is an issue of law subject to de novo review. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

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[2] Any cancellation certificate will not issue until "after the time for appeal [to the Federal Circuit] has expired or any appeal has terminated." 35 U.S.C. § 318(b).

[3] Claim constructions can in some cases be premised on issues of fact, which are reviewed for "clear error" in appeals from district court disputes and "substantial evidence" in appeals from the post-grant proceedings in PTO. *Teva Pharm. USA*, 135 S. Ct. at 840 (district court disputes); *In re Cuozzo Speed Techs.*, 793 F.3d at 1280 (inter partes reviews).

Inter partes reviews do involve some issues of fact, such as the scope and content of prior art and issues of novelty. *Graham*, 383 U.S. at 17; *HP Inc. v. MPHJ Tech. Inv., LLC*, 817 F.3d 1339, 1343 (Fed. Cir. 2016). These issues are evaluated by the Federal Circuit under a more deferential "substantial evidence" standard. *Id.* Nevertheless, even for these factual issues, the Federal Circuit provides substantial review because the Federal Circuit can perform analyses that are nearly identical to those of the PTO.

For instance, the factual record from an inter partes review is particularly amenable to appellate review because the invalidity challenges in those proceedings can only be based on "patents or printed publications." 35 U.S.C. § 311(b). Unlike factual records containing extensive testimony regarding the use or sale of inventions, the Federal Circuit can thus evaluate the scope and content of the prior art directly on appeal and provide substantial oversight to the PTO even under a deferential standard of review.

Similarly, although novelty under § 102 is an issue of fact, such an invalidity finding relies only on a comparison between the teachings of a patent or printed publication and the construed patent claims. The Federal Circuit thus provides significant appellate oversight.

The second reason that Petitioner's framing of this appeal is misleading is that petitioner apparently concedes that the PTO can invalidate issued patents if issues of fact are reviewed de novo. For instance, Petitioner tries to distinguish inter partes review from the interference proceedings that were added to the Patent Act in 1952 on the grounds

that "[i]nterference proceedings could be appealed as of right to either a federal district court (for a full trial, including plenary trying of facts)." Pet. Br. at 5. Yet Petitioner has not argued that issues of fact in inter partes review should be reviewed *de novo* on appeal nor has Petitioner identified any other aspect of inter partes review that should be adjusted to comply with the Constitution.

Petitioner implicitly takes the more radical position that *any* adversarial proceedings in the PTO to invalidate issued patents *always* violate the constitution.[4]

Finally, the question suggests and Petitioner explicitly asserts that inter partes reviews are identical to the validity disputes heard in district courts. Pet. Br. at 22-23, 27. This purported equivalence between district court proceedings and inter partes review is false.

In district court litigation, invalidity is an affirmative defense to a charge of patent infringement. 35 U.S.C. § 282(b). As a result, following a successful challenge to the validity of an asserted patent, a district court will not hold a defendant liable for patent infringed. But the court will not somehow cancel the patent.

Indeed, this Court implicitly recognized that courts do not "extinguish" patent rights in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971). There, the Court held that a finding by one court that a patent was

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[4] Such a change in the standard of review would put the PTO on similar footing as a magistrate judge or special master, which are commonly employed by Article III courts in patent disputes. The amicus curiae submitting this brief has served as a special master in patent cases.

invalid will have collateral estoppel effect in subsequent disputes brought against different alleged infringers provided that the patent owner had a full and fair opportunity to respond to the invalidity defense. *Id.* at 330. In reaching this decision, the Court overturned its previous decision in *Triplett v. Lowell*, 297 U.S. 638 (1936). Such a reversal of existing Supreme Court precedent in favor of collateral estoppel would have been entirely unnecessary if a district court could "extinguish" a patent through adjudication.[5]

Admittedly, in one practical respect the effect of collaterally estopping a patent owner from disputing validity and of the PTO cancelling the claims of a patent are similar: In either case, the patent owner is unable to assert patent rights against an accused infringer. Nevertheless, the mechanisms for reaching this result reveal the fundamental differences in these two processes. In a patent infringement suit, invalidity is a defense. In an inter partes review, the PTO revisits its initial decision of patentability assisted by an adversarial process. While an inter partes review may render district court litigation unnecessary, it cannot be said that

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[5] A patent challenger can initiate a lawsuit regarding the validity of an issued patent in federal courts through the Declaratory Judgment Act, but such a dispute would not lead to the cancellation of a patent. The Supreme Court recently analyzed the effects of declaratory judgments in patent cases in *Medtronic, Inc. v. Mirowski Family Venture, LLC*, 134 S. Ct. 843 (2014). There, the court noted that "the operation of the Declaratory Judgment Act ... [is] only procedural, leaving substantive rights unchanged." *Id.* at 849. Thus, as in infringement cases brought by a patent owner, in a declaratory judgment action regarding patent invalidity a court simply determines whether an affirmative defense applies.

inter partes review *duplicates* in the PTO a dispute from Article III courts that "extinguish[es] private property rights."

II. Patent rights inherently contain the same limitations Petitioner contends conflict with patent protection.

Petitioner and many of the amici supporting it spend a great deal of time discussing patent law as it was in England centuries ago, particularly whether the rights of a patentee are "private" or "public" rights. But as part of the revision and codification to the patent statutes by the Patent Act of 1952, Congress replaced many of the common law patent doctrines with statutory language that is more important to resolving the instant dispute. Pub. L. 82-593, 66 Stat. 792. In short, the same rights that Petitioner seeks to champion contain the limitations that it decries.

a. Congress set forth a patentee's rights in § 261, and they are subject to the other provisions of Title 35.

Section 261 sets forth the property rights of a patentee. While much of that section deals with assignments and other transfers of patents, its first sentence provides a general statement of those rights:

> Subject to the provisions of this title, patents shall have the attributes of personal property.

The second part of the sentence says that patents are *not* identical to personal property, but only have

some of its attributes. More importantly, Petitioner and many of the amici who cite § 261 omit the "[s]ubject to the provisions of this title" limitation on the rights when they quote that section.[6]

Whatever the rights granted by a patent may be, § 261 makes clear that those rights are subject to the other provisions of Title 35. Importantly, Title 35 includes numerous administrative limitations on patent rights.

b. Title 35 establishes cancellation through administrative proceedings with review by Article III courts.

For sixty-five years, Congress has established various administrative procedures in the PTO that as described in the Question Presented can be used to "extinguish[] private property rights through a non-Article III forum without a jury."

Congress created the first such administrative procedure in the Patent Act of 1952. Before 2013, U.S. patent law granted patent rights to the first inventor to discover an invention.[7] In some cases, however, two inventors independently discovered the same invention and both sought patent protection.

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[6] One amicus curiae brief only quotes the word "property" from Section 261 and then goes so far as to claim that because that term was used "Congress explicitly endorsed [the past] case law ...." Brief of 27 Law Professors at 3.

[7] In 2011 Congress passed the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), so that today patents issue to the first inventor to apply for patent protection even if that first-to-file inventor discovered the invention second in time.

In such a situation, one of the inventors could request that the PTO initiate so-called "interference proceedings" to decide which inventor invented first and therefore should receive a patent. 35 U.S.C. § 135 (2009).[8] These adversarial proceedings were heard by administrative patent judges who were members of an administrative judicial body within the PTO known as the Board of Patent Appeals and Interferences (BPAI). 35 U.S.C. § 6 (2009). A decision in an interference could be appealed to a district court or a federal appellate court. 35 U.S.C. §§ 141, 146; *Kappos v. Hyatt*, 132 S.Ct. 1690, 1697-98 (2012).

In some cases, interference proceedings were brought while two conflicting patent applications were pending, but interferences oftentimes were brought after a patent had issued and while a conflicting application was pending. Until the Patent Act of 1952, however, the PTO could not actually cancel an issued patent in an interference proceeding. Instead, cancellation required a separate district court proceeding. Act of July 8, 1870, ch. 230, § 58, 16 Stat. 200. In revising the patent laws in 1952, Congress changed this so that resort to a court was no longer necessary:

> A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall *constitute cancellation of the claims involved from the patent*, and notice thereof shall be endorsed on copies of

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[8] 35 U.S.C. § 135 was replaced with the "derivation proceedings" of the Leahy-Smith America Invents Act. Pub. L. No. 112-29, 125 Stat. 284 (2011).

> the patent thereafter distributed by the Patent Office.

35 U.S.C. § 135(a) (emphasis added).

Significantly, when the patent in this case issued, interference proceedings were already established under Title 35, and the rights under that patent were thus "subject to" this form of administrative cancellation. Petitioner strives to distinguish interference proceedings from inter partes review by arguing that "[i]nterference proceedings could be appealed as of right to either a federal district court (for a full trial, including plenary trying of facts)." Pet. Br. at 5. Petitioner does not dispute, however, that the PTO had the power to invalidate a granted patent without any involvement from an Article III court.

Post-grant interferences provided patent review only in the limited circumstance of a conflict between two inventors, and in 1980 Congress therefore created a second administrative procedure with the power to invalidate issued patents in other contexts: ex parte reexamination. Act of December 12, 1980 (Bayh-Dole Act), Pub. L. No. 96-517, ch. 30, 94 Stat. 3015 (1980). This procedure allows for the reexamination of an issued patent on the basis of "patents or printed publications" that create a "substantial new question of patentability." *See* 35 U.S.C. §§ 301, 303. Ex parte reexaminations can be instituted by the request of either the patent owner or a third party. *Id.* § 302.

While ex parte reexamination can result in the confirmation of the validity of the patent in light of the newly-considered prior art, the PTO may also

cancel the claims in appropriate cases. *Id.* § 307. Cancellation is by PTO administrative action only after any review by the Court of Appeals for the Federal Circuit has been completed. *Id.* § 307(a). If no such appeal takes place, the PTO can cancel a patent without any involvement by an Article III court.

Ex parte reexamination proved useful for a patent owner who was concerned about the issued claims of a patent in light of newly-discovered prior art, but it was of little value to a third party who knew of invalidating prior art for an issued patent. For instance, even after a third party convinced the PTO to initiate an ex parte reexamination, those proceedings would take place using the same ex parte procedures used in the initial examination of a patent application. *Id.* § 305.[9] A third party also could appeal neither a determination by the PTO that the submitted prior art did not raise a "substantial new question of patentability" nor the final decision of the examiner in the reexamination. *Id.* §§ 303(c), 306.

Recognizing this problem, in 1999 Congress gave the reexamination requestor the opportunity to play a larger role by adding to Title 35 a third administrative procedure for invalidating issued patents: inter partes reexamination. American Inventors Protection Act of 1999, Pub. L. No. 106-

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[9] A third party could submit in any examination prior art and an explanation of the "pertinency and manner of applying such prior art to at least one claim of the patent." 35 U.S.C. § 301. Such a third party would not, however, have an opportunity otherwise to participate in the examination, such as by responding to an office action.

113, 113 Stat. 1501 (codified in relevant part in 35 U.S.C. §§ 311–318 (2006) and repealed in 2012). Like ex parte reexamination, before instituting an inter partes reexamination, the PTO had to determine that the prior art to be considered raised a substantial new question of the validity of the patent. Once an inter partes reexamination was started, however, the requesting third party was allowed to comment on any points made by the patent owner when they were submitted to the examiner.

As with interferences and ex parte reexamination, the potential result of an inter partes reexamination included the administrative cancellation of claims of issued patents, but only after any appeal to the Court of Appeals for the Federal Circuit concluded. *See* 35 U.S.C. § 316(a).[10]

In 2011, Congress passed the Leahy-Smith America Invents Act, which replaced inter partes reexamination with the inter partes review being considered by this Court. Leahy-Smith America Invents Act, Pub. L. No. 112-29, §§ 6, 18, 125 Stat. 284 (2011). While the particular features of inter partes review and inter partes reexamination differ, both administrative proceedings allow third parties to present arguments and evidence regarding patentability and give the PTO the power to cancel

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[10] Inter partes reexamination did not apply retroactively. Instead, these adversarial procedures "appl[ied] to any patent that issue[d] from an original application filed in the United States on or after" November 29, 1999. Pub. L. No. 106-113, § 4608. The patent in this dispute issued from an application filed August 12, 1999, so that this patent could not have been the subject of an inter partes reexamination.

issued patents. 35 U.S.C. § 316(a); *id.* § 314(b)(2) (2009).

In the same 2011 Act, Congress also created a new administrative procedure for challenging the validity of issued patents called "post-grant review." *Id.* §§ 321-329. Challengers in post-grant reviews may assert broader grounds for disputing patentability than in inter partes review, but post-grant review can only be initiated within nine months of the issuance of a patent. *Id.* § 321. Moreover, post-grant review does not apply retroactively to patents effectively filed before March 2013. Pub. L. No. 112-29 § 6(f)(2)(A).

c. Congress can provide that patents issue with administrative claw-back provisions.

The U.S. Constitution grants Congress the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, cl. 8. The Constitution does not, however, require that Congress exercise this power. As a result, because Congress could choose not to grant patent protection it can also choose to grant patents subject to post-grant administrative review.

Petitioner's extensive discussion of long-dead patents issued under long-dead laws is thus irrelevant.

d. Patentees choose to elect patent protection that includes limitations, including those Petitioner now attacks.

Inventors are not forced to request patent protection. Indeed, in many cases, inventors can opt for alternate forms of intellectual property to protect their discoveries, such trade secrecy. When inventors pursue patent protection, however, they do so under the terms set by Congress and the PTO, including many limitations on the patent rights those inventors seek.

For instance, patent protection generally lasts only twenty years from the date of filing—even for inventions that provide substantial benefit to society for a much longer time period. 35 U.S.C. § 154. Congress also insists that inventors publicly disclose substantial amounts of information in order to obtain patent protection. *Id.* § 112 (requiring a patentee to describe the invention "in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertain, or with which it is most nearly connected, to make and use the same").

More importantly, inventors seek patent protection knowing that those rights are subject to obligations that extend beyond the application stage to granted patents. For instance, eleven years and six months after the grant of a patent the PTO will charge the patentee $4,110. *Id.* § 41(b)(1). If a patentee fails to pay such "maintenance" fees, an issued patent will expire.

Patents obtained by private entities operating under federal contracts may also be subject to additional post-grant limitations. Specifically, the

Patent Act grants federal agencies so-called "march-in" rights" under which those agencies may, in appropriate circumstances, require the patent owner to grant a license to the patent to appropriate "responsible" third parties. *Id.* § 203(a). In fact, if the patent owner refuses to grant such a license, the relevant federal agency can grant the license directly. *Id.*

Critically, patent owners today voluntarily request patent protection subject to the administrative procedures that Petitioner now attacks. For instance, since at least 1980, patentees have chosen to request patent protection knowing that issued patents could be invalidated if the PTO determined that there was a "substantial new question of patentability."[11]

Having chosen patent protection, patent owners cannot seek to change the terms of the rights they acquire.

III. This Court should not disturb Congress's calibration of patent law.

This Court has "more than once cautioned that courts should not read into the patent laws limitations and conditions which the legislature has not expressed." *Diamond v. Diehr*, 450 U. S. 175, 182 (1981) (internal quotation marks omitted).

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[11] The patent at issue in this dispute issued from an application filed before inter partes reexamination or inter partes review were added to the Patent Act. However, inter partes reviews are constitutionally indistinguishable from the ex parte reviews that existed long before Petitioner sought patent protection. Moreover, Petitioner has not raised any issues of retroactivity, and the Court should not now reach them. *See infra* Part IV.a (discussing issues related to retroactivity).

Petitioner asks the Court to ignore this basic principal of patent law and to read additional non-statutory limitations and conditions into patent law.

a. Because examination is an inherently imperfect process, there is a need to review a patent based on information not available to the examiner.

For practical reasons, Congress established the administrative procedures to review the validity of issued patents, including interferences, ex parte reexaminations, inter partes reexaminations, inter partes reviews, and post-grant reviews. Examination is an inherently imperfect process because it is often impossible for an examiner to possess all of the relevant information at the time of examination.

For example, in the case of interferences the examiner had no way of knowing whether a third party may have discovered the invention before the patent applicant. Likewise, an examiner often cannot locate all of the prior art relevant to patentability. *See, e.g.*, *In re Hall*, 781 F.2d 897 (Fed. Cir. 1986) (holding that a German doctoral thesis was "printed publication" prior art).

This Court has previously recognized the problem of the examiner not having all prior art references available, particularly for the examination of software-based inventions:

> The Patent Office now cannot examine applications for programs because of a lack of a classification technique and the requisite search files. Even if these were available, reliable searches would

> not be feasible or economic because of the tremendous volume of prior art being generated. Without this search, the patenting of programs would be tantamount to mere registration and the presumption of validity would be all but nonexistent.

Gottschalk v. Benson, 409 U.S. 63, 72 (1972) (quoting *To Promote the Progress of Useful Arts, Report of the President's Commission on the Patent System* (1966)).

Problems with examination also exist when the examiner tries to interpret the claims being made in an application. With rapidly changing technology, the meaning of some terms in a claim may not be clear. Also, claim elements described in functional terms cover not only what is described in the specifications, but also its "equivalents." 35 U.S.C. § 112(f).[12] In many cases, it is difficult if not impossible for an examiner to precisely delineate the scope of equivalents disclosed in the specification. This problem of interpretation may be resolved in patent litigation, but the process can be extremely complex, time consuming, and expensive. *See Markman* v. *Westview Instruments, Inc.*, 517 U. S. 370 (1996).

In creating post-grant administrative proceedings, Congress sought to empower the PTO to correct its unavoidable mistakes.

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[12] This is another instance where the Patent Act of 1952 replaced past court decisions, such as *Halliburton Oil Well Cementing Co.* v. *Walker*, 329 U. S. 1 (1946), with statutory language.

b. Congress has chosen inter partes review over other approaches that would hurt applicants and holders of valid patents.

If the Court were to rule that Congress could not address the inherent imperfections of examination through post-grant procedures, Congress might be forced to embrace even less desirable alternatives to address the problem of incorrectly granted patents. Such a solution could be far worse for patentees that the current inter partes review.

For example, Congress could replace the current system of a potentially-flawed examination with a system of substantially more rigorous examination to reduce (but never eliminate) the number of patents that are incorrectly granted. But since patent examinations are completely fee-supported, that would result in substantially higher application costs. H.R. Rep. 109-372, at 5 (2005). This new expense would hurt many inventors, including those with simple inventions as well as those with complex but undeniably novel inventions. Expanded examination procedures would also likely result in higher attorney costs for applicants, and the time for processing each patent application by examiners would likely increase as well.

Increased costs and delay would most likely result in fewer patent applications, reducing the capacity of patents to encourage both invention and public disclosure of those discoveries. Undermining these incentives may have far reaching effects, particularly in complex and rapidly-developing areas such as software-based systems and Internet

applications. In those areas of technology, the PTO's collection of pending applications and issued patents may be the best source of prior art, because each reference is manually classified by an examiner into appropriate categories.[13]

Reductions in the number of applications thus may make it more difficult to keep the PTO collections up-to-date, negating some of the desired benefits of having a more rigorous examination as a way of reducing the number of incorrectly-granted patents.

Another approach Congress could take (but has not) would be to have a pre-grant opposition period, perhaps at the time that the examiner has determined that a patent is allowable based on the prior art he or she has found. This procedure could be similar to the opposition period for trademarks. *See* 15 U.S.C. § 1063. But that approach would also increase pendency for applications in the PTO. Such a system also might be subject to gaming as a way to keep a patent from issuing in a timely fashion, something important with fast-moving technologies.

Instead, Congress has determined that the most efficient approach is to do a reasonable examination of each patent but provide an additional procedure to address the few patents where a new question of patentability has been raised.

Congress could consider still more drastic approaches to ameliorating the inherent deficiencies

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[13] When patents of software-based inventions were first granted, they were put in only two subclasses of the general digital computing class. Today, there are dozens of subclasses for database techniques alone.

of examination. Congress could exclude from the presumption of validity any prior art dissimilar from that considered by the examiner. 28 U.S.C. § 282(a). Even more drastically, Congress could eliminate the clear-and-convincing presumption of validity altogether. *See Microsoft Corp.* v. *i4i Ltd. Partnership,* 564 U. S. 91 (2011). Such a change would likely hurt some holders of patents by complicating infringement actions and substantially impairing efforts to enforce those rights.

c. The "bugs" claimed by the critics of inter partes review are features of patent law created by Congress.

Petitioner and other critics characterize inter partes review as improperly undermining patent rights. Pet. Br. at 48. However, these alleged problems are not indicative of Congressional mistake. Rather, they are part of the system designed by Congress. As the saying goes in computer programing, these are not "bugs"; they are "features."

One alleged problem claimed by the critics of inter partes review is that they invalidate a high percentage of reviewed patents, perhaps as high as 80 percent. This result, however, is unsurprising for three reasons.

First, as mentioned above, inter partes review will only be initiated after the PTO has determined that there is a "reasonable likelihood that the petitioner would prevail." 35 U.S.C. § 314(a). The only inter partes reviews that are conducted thus will involve a preliminary determination by the PTO

that the challenge may succeed, thereby screening out cases involving patents on more innovative inventions.

Second, inter partes review is far more likely to be requested when it is likely that the claims in issue are invalid. To request an inter partes review, a challenger must pay a fee of $9,000 plus $200 for every claim to be considered beyond twenty. 37 C.F.R. § 42.15(a). If the request is granted, an additional fee of $14,000 plus $400 for every claim beyond twenty has to be paid before the review is instituted. *Id.* Attorney's fees for inter partes review are even greater, averaging $124,000 for the drafting of a petition to start an inter partes review to $325,000 for representation through to a full hearing. AM. INTELLECTUAL PROP. LAW ASS'N, 2017 REPORT OF THE ECONOMIC SURVEY, at I-162 (2017). These costs create strong incentives not to bring reviews that are unlikely to succeed.

Third, challengers are also reluctant to pursue inter partes review on weaker grounds due to collateral effects on requestors if they do not prevail:

> The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or

> reasonably could have raised during that inter partes review.

35 U.S.C. § 315(e)(2).

In other words, if the PTO institutes an inter partes review but does not invalidate a claim, the challenger cannot use in any later infringement dispute both the prior art that formed the basis of the inter partes review and also any other grounds for invalidating the patent that they could have reasonably raised in the inter partes review. These estoppel provisions are thus another reason that patent challengers will limit their requests for inter partes review to those cases where the chances of invalidation are high.

Another critique levied against inter partes review is that the PTO is reluctant to allow amendments to the claims that might overcome the prior art that is being considered. This attack on inter partes review, however, is simply a feature of these proceedings, not indicative of a problem.

To start, the possibility of amendment demonstrates that inter partes review provides patent owners with greater flexibility than district court litigation in that amendment of claims is not allowed in litigation. If a claim is proven invalid in district court, the patent owner has no opportunity to amend it.[14] In contrast, a patent infringement action

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[14] The only hope for a patentee who is presented with invalidating prior art in litigation is to request a stay in the proceedings before the court, request an ex parte reexamination by the PTO in light of that prior art, and hope that during the reexamination proceeding a claim amendment will be allowed that avoids the prior art.

is only brought when the patent owner has a comparatively high expectation that the patent claims will be upheld, since such a suit puts the patent at risk.

Because of this substantial difference between when inter partes review is sought and a patent is asserted in litigation, comparing the percentage of patents that are invalidated is like comparing apples and oranges.

Moreover, critics of inter partes review fail to recognize the unavoidable problems that arise when a patent owner seeks to amend claims in an inter partes review. By congressional design, the final determination in an inter partes review must normally be issued by the PTO not later than one year after the date on which the review is instituted. 35 U.S.C. § 316(a)(11). This deadline leaves little time for lengthy amendment proceedings, particularly since amendment of a claim will only be allowed if it preserves the validity of the claim, requiring additional analysis by the PTO in a limited timeframe.

Liberally allowing amendment of claims during inter partes review would also act as a disincentive for challengers to use this procedure to dispute the validity of issued patents. In some cases, an amendment might avoid the prior art asserted in an inter partes review only to run afoul of other unasserted prior art. Because of the estoppel provisions noted above, a challenger might be prevented from later asserting that prior art against the amended patent. To avoid this problem, patent challengers might have to submit voluminous and likely duplicative prior art. Challengers might fear

that they would be far better off in litigation, where the patentee cannot amend to avoid that prior art.

In establishing inter partes review, however, Congress sought to encourage the correction of patent mistakes by the PTO, not to create a system where disputes simply continued to be fought in the district courts.

IV. Petitioner has failed to address and thus waived important issues related to its case.

a. Petitioner has not specified what portion of Title 35 is unconstitutional.

If the Court were to find for Petitioner, it should strike only the portions of the Patent Act that are unconstitutional and leave other portions of the statute intact, unless such "[p]artial invalidation ...[would be] contrary to legislative intent." *Brockett v. Spokane Arcades, Inc.*, 472 U.S. 491 (1985).

However, Petitioner has failed to identify which provisions of the Patent Act are actually unconstitutional, simply stating in broad terms that "inter partes review violates the Constitution." Pet. Br. at 58. Unfortunately, even if inter partes reviews violate Article III, there are at least *five* approaches to addressing such a constitutional defect.

Petitioner's discussion of interference proceedings suggests a first approach that the Court might take if it were to find that inter partes reviews violate Article III. Petitioner apparently concedes that interference proceedings did not violate Article III because a patent owner who lost in the PTO could

"appeal[] as of right to ... a federal district court ... for a full trial, including plenary trying of facts." Pet. Br. at 5. If the Court were to accept Petitioner's arguments, one approach would therefore be to strike the portions of the Patent Act that prevent such plenary appeals to district courts.

Such a result, however, could not be achieved by striking language from the Patent Act as it is currently written. Today, the Act contains only two sections that provide for plenary district court proceedings. To start, an applicant can bring a civil action regarding the PTO's denial of a patent application under § 145. Similarly, under § 146, an interested party can initiate a civil action regarding a so-called "derivation proceeding," which is the analogue of interference proceedings but modified to suit a first-to-file system.[15] Neither of these provisions contains text that could be stricken to create a district court action providing plenary review for inter partes review. Instead, additional language would need to be inserted into the Patent Act, which is the purview of Congress and not this Court.

As a result, a second and more likely approach to addressing the alleged unconstitutionality of inter partes review might be strike the part of the Patent Act empowering the PTO to cancel patents in an inter partes review, that is, 35 U.S.C. § 318(b):

> If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has

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[15] *See* note 8 *supra* (describing derivation proceedings).

> terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

If this provision were deleted from the Patent Act, the PTO would still issue a "final written decision with respect to any patent claim challenged by the petitioner," but that decision would not result in the patent being cancelled. 35 U.S.C. § 318(a).

It is not clear, however, that striking § 318(b) alone would conform to congressional intent, leading to a third potential remedy if the Court were to find for Petitioner. For example, § 319 grants a right of appeal to "[a] party dissatisfied with the final written decision of the Patent Trial and Appeal Board" in an inter partes review. However, if the Court were to strike § 318(b), thereby preventing the PTO from cancelling patents in inter partes reviews, a final written decision by the PTO would be largely advisory in nature. Appeals in inter partes reviews therefore might not be constitutionally reviewable "Cases" or "Controversies" for the Federal Circuit on appeal, and the Court might therefore be required to strike § 319 as well.

Fourth, faithful adherence to congressional intent might require the Court to delete from the Patent Act the entirety of Chapter 31. If the Court were to strike § 318(b) and § 319, inter partes reviews might still be useful in that they would

provide an independent determination of patentability by a knowledgeable body and thus help a patent owner decide whether to bring an infringement action. But such a recasting of inter partes review as advisory likely would conflict with Congressional intent. By providing the PTO with the power to cancel patents, Congress intended to create a system for correcting mistakes at the PTO, not a system for simply discussing mistakes in detail.

Fifth, if the Court were to strike Chapter 31 in its entirety, it might also need to strike Chapter 32 (§§ 321 through 329) regarding post-grant review, which provides another avenue for post-grant invalidation of issued patents.[16]

The elimination of Chapters 31 and 32, in turn, might require additional changes to the Act given that the Patent Act contained no severability clause. To the contrary, as described above, Congress has created an interconnected system of patent law, so that selectively eliminating major portions of this system would distort Congress's legislative design.

Furthermore, and perhaps most importantly, the Patent Act explicitly states that the patent rights designed by Congress depend up on the entire statutory structure of Title 35. Specifically, the Act states that patent rights are "[s]ubject to the provisions of this title." 35 U.S.C. § 261. Having explicitly tied patent rights to the limitations described in Title 35, a decision by this Court to change fundamentally those limitations would thus also redefine the "attributes" of patents, perhaps

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[16] *See* Part II.b *supra* (describing post-grant review).

requiring the Court to strike even broader swaths of the Patent Act.

In short: Where do the dominos stop?

Despite the complexity and importance of these issues, Petitioner has not briefed them. As a result, even if the Court were to identify concerns regarding the application of Article III to inter partes review, Petitioner has waived any arguments addressing which parts of the Patent Act should be stricken as unconstitutional.

The Court should not decide such difficult questions in an adversarial vacuum.

b. Petitioner has not addressed whether its challenge is limited to retroactive applications of inter partes review.

In addition to failing to identify which portions of the Patent Act would be unconstitutional, Petitioner has also failed to address whether its arguments apply to all patents currently in force or whether inter partes reviews are only unconstitutional when applied retroactively. Issues of retroactivity may be critical to the resolution of this dispute but are also fraught with complexity, and the Court should not decide these issues in the absence of briefing.

The Court has already held in another context that, consistent with the Constitution, intellectual property rights can be effectively invalidated by an administrative agency so long as that invalidation is not applied retroactively. In *Ruckelshaus v. Monsanto Co.*, the Court examined the

constitutionality of provisions of the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA") requiring pesticide manufacturers to submit trade secrets to the Environmental Protection Agency ("EPA") and allowing the EPA to disclose those trade secrets in certain contexts. 467 U.S. 986 (1984). Specifically, FIFRA requires a pesticide manufacture to demonstrate that its product will not cause "unreasonable adverse effects on the environment." *Id.* at 992 (internal quotation marks omitted). Accordingly, when seeking EPA approval to market their products, pesticide manufacturers must disclose to the EPA trade secrets, including "health, safety, and environmental data." *Id.* at 994, 998. FIFRA provides that, subject to certain conditions, subsequent applicants may rely on the trade secrets already submitted to the EPA by a manufacturer, even if those applicants compete with that manufacturer. *Id.* at 994-95. Additionally, the EPA may in certain contexts disclose trade secrets to third parties. *Id.* at 994-96.

Monsanto, a pesticide manufacturer, challenged these provisions of FIFRA as unconstitutional takings of private property. Although the Court agreed that Monsanto's trade secrets were property rights protected by the Fifth Amendment, the Court also held that the challenged FIFRA provisions were constitutional, at least regarding submissions made after the enactment of the relevant provisions of FIFRA. The Court noted that for those trade secrets Monsanto was aware of and thus accepted the consequences of applying for EPA approval. *Id.* at 1006-07. In response to Monsanto's arguments that the disclosure of trade secrets was an "unconstitutional condition on a right to a valuable

Government benefit," the Court held that "such restrictions are the burdens we all must bear in exchange for the advantage of living and doing business in a civilized community." *Id.* at 1007.

Thus, even if the Court were to find some constitutional concerns with inter partes review, *Ruckelhaus* requires that the Court limit its holding to retroactive applications. Unfortunately, however, identifying patents for which inter partes reviews would be "retroactive" introduces additional legal complexities because the Patent Act has long contained administrative procedures for invalidating issued patents. As noted above, issued patents have been invalidated by the PTO through interference proceedings since 1952, through ex parte reexamination since 1980, and through inter partes reexamination since 1999.

Indeed, in critical respects inter partes reviews are indistinguishable from the PTO procedures that existed at the time that inter partes reviews were created. Most importantly, in ex parte reexamination, inter partes reexamination, and inter partes review, the PTO exercises a basic power to correct its own mistakes: cancelling issued patents that fail to satisfy the requirements of the Patent Act on the basis of other patents or printed publications. 35 U.S.C. §§ 301, 303, 311(b); *see also id.* § 311(a) (2009). Though Petitioner highlights certain differences between these administrative procedures, such as the adversarial nature of inter partes review compared to ex parte reexamination, Petitioner does not explain the significance of these differences. While the various post-grant procedures provide different mechanisms for the PTO to *learn* of its

mistakes, the PTO thereafter exercises the same cancellation power that it has enjoyed at least since ex parte reexaminations were created in 1980, if not since 1952, when interference proceedings were established. Petitioner has not explained why differences in the means of identifying PTO mistakes should limit the PTO's power to correct them.

Thus, under *Ruckelshaus* inter partes review is constitutional as applied to patents issuing from applications filed since at least 1980, when Congress gave the PTO the power to cancel issued patents.

Because Petitioner has not addressed issues of retroactivity, including whether inter partes review is constitutionally distinct from ex parte reexamination, it has waived those issues, and the Court should find in favor of the Respondent. At the very least, even if the Court were to find for Petitioner, it should ensure that its holding is consistent with *Ruckelshaus* and allows for appropriately prospective use of inter partes review.[17]

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[17] If the Court were to determine that (1) inter partes review and ex parte reexamination were constitutionally distinguishable, but that (2) inter partes review and inter partes reexamination were not, then it should hold that inter partes review is available for all patents that issued from applications filed after November 29, 1999. Because the normal term of patent protection is twenty years from the date of filing, such a holding would leave the vast majority of patents subject to inter partes review, but would also support a finding in favor of Petitioner, as the application for the patent at issue in this case was filed in August 1999.

V. If the Court finds for Petitioner it should provide clear guidance.

a. If necessary, the Court should address the impact of a finding for Petitioner on other aspects of the Patent System.

If the Court were to hold that the Constitution mandates that only an Article III court can invalidate an issued patent, it should also address the impact of such a holding on additional features of the Patent System. For example, a holding in favor of Petitioner, if phrased in overbroad terms, might impair the structure that Congress has set up for handling alleged patent infringement by the United States or one of its contractors because these disputes are handled by a specialized Article I court, not an Article III court.

It is well-settled that "[t]he United States, as sovereign, is immune from suit save as it consents to be sued, ... and the terms of its consent to be sued in any court define that court's jurisdiction to entertain the suit." *United States v. Sherwood*, 312 U. S. 584, 586 (1941). However, Congress has waived sovereign immunity in patent cases by giving exclusive jurisdiction in such instances to the Court of Federal Claims.

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's

> remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

28 U.S.C. § 1498(a).

Importantly, the Court of Federal Claims is not an Article III court.

> The Court of Claims [now the Court of Federal Claims] is a legislative, not a constitutional, court. Its judicial power is derived not from the Judiciary Article of the Constitution, but from the Congressional power "to pay the debts . . . of the United States," which it is free to exercise through judicial, as well as non-judicial, agencies.

Sherwood, 312 U.S.at 587.

A broad ruling by this Court in favor of Petitioner may prevent the United States from being able to assert invalidity defenses in the Court of Federal Claims. Certainly, the waiver of sovereign immunity that lies at the heart of that court and allows that court to adjudicate patent infringement disputes against the United States might also allow that court to adjudicate invalidity defenses even if the Court finds for Petitioner in this case. But the Court of Federal Claims is still subject to constitutional limitations, and a ruling in favor of Petitioner would be based on constitutional grounds.

To avoid stripping the Court of Federal Claims of its ability to fully adjudicate patent disputes against

the United States (and to avoid unnecessary litigation on that issue), the Court should carefully craft any decision in favor of Petitioner.

b. If necessary, the Court should provide guidance to Congress.

Finally, if the Court were to find for Petitioner, it should provide clear guidance regarding both the portions of Title 35 that are unconstitutional and the limits of that holding so that Congress can, if appropriate, pass remedial legislation.

For example, Congress might respond to a decision by this Court in favor of Petitioner by giving an Article III court the power to issue the cancellation orders currently provided by the PTO under § 318(b). Alternatively, Congress might revise inter partes review to allow for de novo review in the district courts in a fashion similar to interference proceedings. Congress can only make these changes, however, if it the Court were to make clear the details of any finding in favor of Petitioner.

In fact, careful guidance to Congress would also be necessary if the Court were to find for the Respondent because, in the future Congress may seek to refine the capacity of the PTO to correct its own errors. For instance, to provide the Patent Trial and Appeals Board with greater autonomy, Congress might seek to convert it into an Article I court, much as it reconstituted the U.S. Board of Tax Appeals into the Tax Court of the United States (now the United States Tax Court). *See* Revenue Act of 1942, § 504(a), Pub. L. 753, Ch. 619, 56 Stat. 798, 957 (Oct. 21, 1942).

The decision in this could also go well beyond patent law. A broad holding for Petitioner based on its historical argument could allow any disgruntled losing party to question the legitimacy of a decision made by an Article I court or administrative tribunal, even if reviewed by an Article III court, leading to both uncertainty and wasteful litigation.

In the America Invents Act, Congress sought to expand the power of the PTO to correct its errors. Regardless whether Congress's current approach impinges upon Article III, Congress may in the future be motivated to modernize the Patent Act in order to better "promote the Progress of ... [the] useful Arts." U.S. Const. Art. I. § 8, cl. 8. To best support those efforts and avoid unnecessary confusion and litigation, this Court should provide clear guidance.

CONCLUSION

Because Congress expressly limited the rights granted by a patent, including being able to cancel the patent based on new information brought to the attention of the PTO, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

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